

## Message Text

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COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 IO-10 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01

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R 212309Z JAN 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 3591

C O N F I D E N T I A L LIMA 0563

EO 11652: GDS

TAGS: PFOR, PE

SUBJECT: AMBASSADOR MAILLIARD'S CONVERSATION WITH FONMIN DE LA FLOR

SUMMARY: AMBASSADOR MAILLIARD HAD TWO-HOUR MEETING JANUARY 20 WITH FONMIN DE LA FLOR. DISCUSSION CENTERED ON TRADE REFORM ACT AND ITS EFFECT ON HEMISPHERIC RELATIONS. IN RESPONSE TO STANDARD GOP COMPLAINTS ABOUT TRA DISCRIMINATORY AND COERCIVE FEATURES, MAILLIARD EXPLAINED BACKGROUND LARGER PURPOSES OF LAW, ITS FAVORABLE FEATURES, AND ADMINISTRATION'S INTENT TO BRING ABOUT REMOVAL OF OBJECTIONABLE PROVISIONS. THE TWO ALSO BRIEFLY DISCUSSED CUBA AND THE OAS, THE SCHEDULED MFM, OAS REFORM, THE PERUVIAN ARMS LIMITATION PROPOSAL, AND THE PERUVIAN REVOLUTION.

END SUMMARY

1. AMBASSADOR MAILLIARD MET FOR SOMEWHAT MORE THAN TWO HOURS JANUARY 20 WITH FONMIN DE LA FLOR. MAILLIARD WAS ACCOMPANIED BY CHARGE, MAILLIARD'S AIDE TAYLOR, AND EMBOFF.

2. THE CENTERPIECE OF THE DISCUSSION WAS THE TRADE REFORM ACT. DE LA FLOR MAINTAINED THAT TRA IS "DISCRIMINATORY AND COERCIVE"

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AND CONTRAVENES UN AND INTER-AMERICAN PRINCIPLES OF NON-INTERVEN-

TION AND NON-COERCION. THUS PERU HAD REJECTED IT, AND SUPPORTED VENEZUELAN AND ECUADOREAN INITIATIVE IN OAS THIS REGARD. HE DESCRIBED TRA RESTRICTIONS AS A SWORD OF DEMOCLES HANGING OVER PERU. HISTORY DEMONSTRATES THAT SUCH COERCIVE MEANS, MENTIONING ALSO THE HICKENLOOPER, GONZALES AND OTHER RESTICTIONS IN OTHER LEGISLATION, HAVE HARMED U.S.- PERUVIAN RELATIONS, AND ALSO U.S.-LA RELATIONS GENERALLY.

3. REFERRING TO HIS LONG EXPERIENCE AS A CONGRESSMAN, MAILLIARD POINTED OUT THAT UNDER CONSTITUTION CONGRESS HAS SOLE AUTHORITY TO REGULATE FOREIGN TRADE. IF CONGRESS DOES NOT DELEGATE AUTHORITY TO THE PRESIDENT HE CANNOT ACT. EXECUTIVE BRANCH HAS BEEN WITHOUT SUCH CONGRESSIONAL AUTHORITY SINCE NEGOTIATING AUTHORITY UNDER PREVIOUS ACT EXPIRED IN 1967. WHILE TRA HAS SOME UNFORTUNATE FEATURES, WHICH PRESIDENT AND OTHER EXECUTIVE OFFICERS HAVE ALSO OJECTED TO, IT IS BASICALLY CONSTRUCTIVE LEGISLATION AND IS IN ANY EVENT FAR BETTER THAN NO LAW AT ALL, AND THAT WAS THE PRACTICAL ALTERNATIVE IN THE CLOSING DAYS OF THE LAST CONGRESS.

4. MAILLIARD CONTINUED THAT EXECUTIVE BRANCH HAS PLEDGED TO SEEK REMOVAL OF UNHELPFUL FEATURES IN TRA AS THEY MIGHT APPLY TO LA. THE LAW HAS MANY IMPORTANT, FAVORABLE PROVISIONS AND ITS OVERALL PURPOSE AND INTENT IS LIKEWISE FAVORABLE TOWARD THE GLOBAL GOAL OF FACILITATING AND EXPANDING INTERNATIONAL TRADE. IT WOULD BE WELL FOR LA SPOKESMAN TO RECOGNIZE THIS OVERALL FAVORABLE THRUST OF THE TRA IN THEIR PUBLIC STATEMENTS. MAILLIARD LISTED SOME OF THE FAVORABLE REFORMS IN THE ACT. HE CAUTIONED THAT EXCESSIVE NEGATIVE RHETORIC ON THE PART OF LA SPOKEMAN WOULD HAVE AN ADVERSE EFFECT ON THE EXECUTIVE'S EFFORTS TO WORK WITH CONGRESS AND IMPROVE THE ACT.

5. WHILE DE LA FLOR SEEMED IMPRESSED BY THE ABOVE PRESENTATION, HE POINTED TO THE ADVERSE EFFECT OF THIS UNILATERAL U.S. MOVE ON THE "NEW DIALOGUE." THERE HAVE BEEN TWO INTER-AMERICAN MEETINGS UNDER THE NEW DIALOGUE, WHEREIN THE LA COUNTIRES HAVE EXPRESSED THEIR VIEWPOINTS TO THE U.S. THEN CAME THE TRA, WHICH HAS CAUSED RESENT

MENT. THE GOP AND OTHERS HAD REACTED AGAINST AND REJECTED U.S. PRETENSIONS IN A SPIRIT OF LA SOLIDARITY. THE REVOLUTIONARY GOVERNMENT WAS NO STRANGER TO U.S. COERCION. THIS HAD PREVAILED  
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DURING ITS FIRST FIVE YEARS, UNTIL THE TIME OF THE GREENE AGREEMENT LAST FEBRUARY. HOW THE TRA SHOWED THAT THINGS HAD NOT, AFTER ALL, CHANGED PERMANENTLY FOR THE BETTER.

6. THE TWO DISCUSSED THE THEORETICAL (DE LA FLOR) AND REALISTIC (MAILLIARD) POSSIBLE EFFECTS OF THE DISCRIMINATORY CLAUSES OF THE TRA ON MEMBERS OF PRODUCER ASSOCIATIONS IN GENERAL, BUT DE LA FLOR MAINTAINED THAT PETORLEUM WAS THE KEY AND BASIC ELEMENT OF

DEVELOPMENT, AND OPEC MEMBERS ARE BEING DISCRIMINATED AGAINST UNDER TRA. MAILLIARD SIMILARLY TRIED TO PUT THIS QUESTION INTO PERSPECTIVE. HE REPEATED THAT A CLAMOR DISCUSSION OF TRA ON THE PART OF LA WOULD FACILITATE THE EXECUTIVE'S EFFORTS, WHILE MAINTAINING ALL THE USEFUL FEATURES OF TRA, TO MODIFY ITS OBJECTIONABLE PROVISIONS. WHEN MAILLIARD ASKED FOR PATIENCE, DE LA FLOR SAID LA PATIENCE WAS AT AN END; PERU HAD BEEN PATIENT FOR 150 YEARS.

7. WHEN DE LA FLOR RAISED THE CUBA PROBLEM MAILLIARD AGREED THAT THE CUBA PROBLEM MUST BE SETTLED SO AS TO GET THIS SUBJECT OFF THE HEMISPHERE'S AGENDA ONCE AND FOR ALL. THE U.S. HAD ADOPTED A COMPLETELY NEUTRAL POSITION AT THE QUITO MEETING, AND PROPONENTS OF LIFTING OAS SANCTIONS ON CUBA HAD BEEN CONFIDENT THEY HAD THE NECESSARY TWO-THIRDS MAJORITY. THEY DID NOT. IT WOULD BE IMPORTANT TO DISCUSS THE PROBLEM AT BUENOS AIRES IN MARCH, AND NOT PUBLICLY.

8. MAILLIARD MENTIONED AN IDEA OF ARGENTINE FONMIN VIGNES THAT THE MFM MIGHT TAKE A POLICY DECISION TO DIRECT THE APRIL GENERAL ASSEMBLY TO DEAL WITH THE CUBA QUESTION IN THE SPIRIT OF THE CEESI DECISION TO CHANGE THE VOTING PROCEDURES OF THE RIO TREATY. DE LA FLOR INDICATED INTEREST AND ADDED THAT ANY SUCH ACTION MUST BE TAKEN IN THE GA NOT BY THE MINISTERS AT BUENOS AIRES.

9. DE LA FLOR SAID HE DID NOT KNOW WHETHER THE MFM SHOULD BE HELD OR NOT, AND THIS POSES SENSITIVE PROBLEM FOR ARGENTINE GOVERNMENT. HE STRESSED THAT GOP, WHILE SUPPORTING LA ARGUMENTS AGAINST TRA PROVISIONS, HAS NOT SAID WHETHER OR NOT IT WILL ATTEND MFM. HE SUGGESTED THAT A MAXIMUM EFFORT BE MADE BY USG TO ELIMINATE THE OPEC RESTRICTION RE VENEZUELA AND ECUADOR, AND THEN PROBABLY "EVEN THE MOST RIGID" OPPONENTS OF THE TRA PROVISIONS COULD FIND IT POSSIBLE TO ATTEND. MAILLIARD  
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RESPONDED HE THOUGHT IT VERY UNLIKELY ANY SUCH EFFORT COULD BE CONCLUDED SUCCESSFULLY IN SO BRIEF A TIME.

10. IN A BRIEF EXCHANGE ABOUT THE SECRETARY'S PLANS TO VISIT PERU AND OTHER LA COUNTRIES IN FEBRUARY, DE LA FLOR REFERRED TO PRESS SPECULATION THAT THE SECRETARY MIGHT INSTEAD GO TO THE MIDDLE EAST. MAILLIARD ACKNOWLEDGED THAT THE ME TENSIONS APPEARED TO BE BUILDING UP AGAIN. BUT MAILLIARD SAID WHEN HE HAD LEFT WASHINGTON, THE SECRETARY WAS CONTINUING TO PLAN TO VISIT LA IN FEBRUARY.

11. MAILLIARD REFERRED FAVORABLY TO THE PERUVIAN ARMS LIMITATION PROPOSAL. DE LA FLOR SAID THAT, IN GENERAL, THE AIMS OF THE PERUVIAN REVOLUTION WERE NOT UNDERSTOOD ABROAD. THE GOP DID NOT OBJECT TO CRITICISM, BUT IT SHOULD BE WELL-INFORMED AND WELL-

INTENTIONED. IF THERE HAD NOT BEEN A PEACEFUL PERUVIAN REVOLUTION, HE ASSERTED, THERE WOULD HAVE BEEN A VIOLENT ONE. REFERRING TO CURRENT POLITICAL, ECONOMIC AND SOCIAL INSTABILITY IN PERU(AND SPECIFICALLY TO ITS TERRORIST MANIFESTATIONS), DE LA FLOR SAID HE WOULD LIVE AND DIE FOR THE REVOLUTION.

12. DE LA FLOR ENDED BY STRESSING THE NEED FOR BETTER UNDERSTANDING OF THE PERUVIAN REVOLUTION AND WELCOMING USEFUL HIGH-LEVEL VISITS SUCH AS THE PRESENT ONE.  
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